

State of Connecticut

GENERAL ASSEMBLY



PERMANENT COMMISSION ON THE STATUS OF WOMEN

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Testimony before the Governor's Task Force on Contracting Reform
By Barbara Potopowitz
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Good morning Senator DeFronzo, Commissioner Fleming and members of the Task Force. My name is Barbara Potopowitz and I am the Public Information Officer of the Permanent Commission on the Status of Women. For the past nine years I have coordinated a project for the Commission through which we convene women business owners, small business advocates, state and federal agency officials, bankers, other lenders and funders. The purpose of the project is to improve the conditions for women entrepreneurs in order to help them start and grow successful businesses.

The PCSW and members of this project also sponsor an annual CT Entrepreneurs' Day, conduct focus groups and gather research on women business owners in the state. We also produced a video entitled *Starting and Growing Your Business* that is now in every library in the state.

Additionally, we have served on committees at the Department of Administrative Services, Public Works and Transportation helping them to define policies that help to further the efforts of Connecticut women businesses owners. In November of 2003, the PCSW conducted 2 public hearings, one in Stamford and the other in Enfield, to hear the concerns of women business owners. We subsequently distributed our findings in a report to the General Assembly. And in May of this year, we conducted a program at the women's prison in Connecticut on business ownership.

Every other year, the PCSW joins with the Connecticut Chapter of the National Association of Women Business Owners to conduct a survey to gather information, ideas and suggestions about policies that would help women entrepreneurs grow, strengthen or maintain their businesses. Many of their concerns focus on state procurement policies and practices, and highlight the ways in which small businesses do not always have a fair shot at doing business with the state. I would like to share some of the things we learned with you this morning:

As it is currently structured, small businesses must have annual revenues of \$10 million or less in order to participate in the state's 'set-aside' program for small business. This eligibility threshold is too high because it puts very small businesses – what we call "micro-enterprises" – in the same competitive pool with much larger businesses with revenues as high as \$10 million. We respectfully recommend that this definition of "small business" needs immediate study.

In the last survey of women business owners that we conducted with NAWBO, we asked: "Is the definition of small business, having revenues of \$10 million or below realistic? And if not, why?" As many as 98% of the 1,236 women business owners felt the definition was unrealistic. Here are some of their comments:

- Not at all realistic—real small businesses (\$1-2 million and under) can't compete on an even playing field with companies in the \$10 million category.
- No. My business is in the tens of thousands in a good year, yet I have a small business.
- I feel a small business is under \$2 million. If we grossed \$10 million I sure wouldn't consider myself small.
- My business grossed \$400,000 last year. I consider that to be small.
- I am not a manufacturer, so my sales would not likely exceed \$10 million. If there were a separate "micro-business" category that offered additional benefits, that might be very useful.
- Category of "small" business should be \$3 million or less. Delis, cleaners, variety stores, etc. are dwarfed by the \$10 million mark.

Unfortunately, the solution is not as simple as changing the definition of small business from \$10 million down to \$5 million. In certain industries such as construction, a \$9 or \$10 million business is still very small and it would be a

shame to not include them in state procurement opportunities under the set-aside program. Many times, when we award a contract to a “larger small business,” there is a requirement for them to subcontract with a micro-business. This is not a sufficient solution if sufficient resources are not available to properly monitor this process.

The PCSW feels that a “microenterprise” classification under the set-aside program is a good solution. If 25% of our state’s business is set aside for small business and 25% of that is set aside for “DBE’s” (disadvantaged business enterprises), then perhaps a portion of that should be reserved for the micro-businesses that cannot compete with the multi-million dollar small businesses that have access to the same contract opportunities.

We have attached some e-mails to this testimony from women business owners offering their comments regarding the issues of state contracting. We also offer our expertise to you in the weeks ahead as you go forward to address the many issues to meet your deadline of September 1st.

Thanks for your time and commitment to this issue.

